P 23E

App. F. IX-4

Previous References

1936-7
(C.S)

File No. 11-36

Serial Nos. 41, 122, 126
160

Letter References.
C.S 12 24/7 to 7
" 12-4C(42) 3-6?

PRESERVED

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. four

Part B for Sept 37

SUBJECT.

Rule under section 44 (c) of the Mysore Cooperative Societies Regulation prohibiting interlending - between primary societies

C 2109 dt - 9. 9. 38

Regr C.S.

WD 0418—GPB—22,500—29-8-36

State that Government consider that it would be sufficient if a Circular is issued on the lines of the one issued by the Regr of Cooperative Societies Bo

G.R.S. APP. F. III—1

3649

GENERAL AND REVENUE SECRETARIAT.

(65)

NOTES.

File No. 11-36

FILE HEADING.

Report of the Committee on Cooperation in Mysore

FROM The Registrar of Cooperative Societies in Mysore

No. 5839 Dated 9-1-37 Received 11-1-37

Diary No. 3649 Enclos. — Spare copies — Serial No. 61

BRIEF ABSTRACT OF LETTER

Recommends that a rule may be introduced that no primary society shall have any direct financial relations with another primary society and that all its investments outside its normal business activities shall be made subject to approval of Registrar

NOTES AND ORDERS.

Page 72

1) The Committee on Cooperation while discussing about Central Financing Institutions state that "its (Provincial Bank) two main business is to co-ordinate the working and control of the finances of the Cooperative movement on a provincial basis. In order that the movement may function efficiently and profitably it is necessary that the connection to be established between it and the money market should be brought about through the Central Financing

NOTES—First Sheet

Prevention of interlocking of liabilities between Primary Societies

3647)

6/ File No. 11 of 1936 — General and Revenue Secretariat

institution. Balancing being performed by the Central institution and by it alone, primary societies (including urban primary banks) should be forbidden to have direct relations with each other. Uncontrolled inter-lending as between societies is considered to involve an interlocking of liabilities which may well lead to trouble."

Para 7 of the Report

2) The Registrar recommended "in order to prevent primary societies from giving direct financial aid to one another" "a rule may be introduced to the effect that no primary society shall have any direct financial relationship with another primary society and that all its investments outside its own normal transactions shall be made subject to the approval of the Registrar".

3) The Sri Vishwarajendra Societies Enquiry while commenting on the recommendation of the Committee state that the proposed rule should not cover the investment of deposit and other accounts between two primary societies

4) It seems desirable to ascertain the procedure that is existing in this respect in several provinces of British India and the measures adopted by them to avoid the interlocking of liabilities between the two primary societies before accepting the recommendation of the Committee and the Registrar. Dft calling for the information is submitted for consideration

SD 12/2/37

Serial No.

1) This seems to be a wholesome recommendation ~~and~~ may perhaps ~~be accepted~~

GE[illegible] SECRETARY
19 FEB. 1937
1579

GR Secy) 19.2.37

2) Please ascertain from Regr- practice elsewhere

Secy
23/-

Office of the Registrar of Co-operative Societies
24 FEB. 1937
No. 6122

Memo no 324 of 1936-37) 23.2.37

3) Forwarded with compliments to the Regr C.S. in favour of furnishing the information required above

S.O.
K. Srinivasan
for GR Secy
23.2.37

WD 0417--GPB--30,000--8-9-36

8751 del 1 Sikkim re file

8/5/37

Forwarded with compliments.

8) The Registrars of 22 Provinces were consulted regarding the practice prevailing in their respective Provinces in the matter of direct interlending between primary societies and replies have been received from them all excepting five. An analysis of the practice in the several Provinces is attached hereto. While there is no - prohibition regarding direct interlending between primary societies in 8 Provincies, the major and more important Provinces all prohibit such practice except with the special sanction of the Registrar, the prohibition being made under Section 29 of the Co-operative Societies' Act II of 1912 which corresponds exactly to Section 29(1) of the Mysore Co-operative Societies Regulation reproduced below.

Section 29(1):

" A registered society shall not make loan to any person other than a member provided that, with the consent of the Registrar, a registered society may make loans to another registered society."

9) This Section while it expressly forbids one society making a loan to another without the sanction of the Registrar, places no such restriction on making deposits except by implication, since deposits also are rightly speaking, loans. The Registrar for Bengal has for one construed the Section in this sense and his Circular under this Section (extract from which is noted below) is instructive.

"It is true that Section 32(c) authorises a registered society to invest or deposit its funds in the shares or on the - security of any registered society without reference to the Registrar, but placing money on deposit in a co-operative - society, whether with or without interest, is not an investment on the security of such society. In the opinion of the Advocate General, who was consulted by the Government of India on the subject, deposits are mere advances without any -

any security. An ordinary deposit does not carry a special charge on the assets. It is only in respect of investments carrying a special charge on the assets that the description "investment on the security of society" applies. It follows therefore that the investment of funds of a co-operative society by way of deposits in another co-operative society must be regulated by clauses (d) and (e) of Section 32. Under these clauses the sanction of the Registrar is necessary.

All applications of Central Banks to deposit their funds in another Central Bank should be referred to me. I do not propose to give any sanction except in special - cases."

10) The Registrar of Bihar has also felt alike and perhaps not feeling content to rest on a construction of the Section has proposed a draft rule as mentioned below which rule is said to be under the consideration of Government.

Draft Rule: " Without the previous sanction of the Registrar, no society shall take a loan from or make a deposit in any other society unless it is a member of the other society".

11) The Registrar of Travancore also feels the necessity for such a rule and has recommended to his Government for making a rule on the lines proposed here.

12) The replies show that the general feeling among the Co-operators of all the major Provinces and the normal practice have been against direct transactions between primary societies and my own views in the matter have been submitted to Government in my letter No.5639/C.S. dated 9th January 1937. Instead of merely depending on a construction of Section 29(1) of the Co-operative Societies Regulation for such a prohibition, it is submitted that a definite rule may be passed - expressly prohibiting the depositing of funds by one primary society in another as also other lending by one society to another except with

with the special sanction of the Registrar, similar to the draft rule under consideration of the Bihar Government.

GENERAL SECRETARY. 10 MAY 1937

L.S.4/5.

Registrar in charge.

(13) It is seen from the statement that there is no prohibition in eight provinces and that in 5 prohibition in the remainis - viz Bihar. CP & Berar. Madras. Bombay, Hyderabad and Orissa. The recommendation of the Registrar may perhaps be accepted & draft rule on the lines of the one in Bihar (Para 10) may perhaps be adopted.

Subs for orders

14) Refer - para 6

Gen Secy 25.5.37

GENERAL SECRETARY. 25 MAY 1937

15) The proposal (para 12) may be appd.

Secd Member

OFFICE OF THE SECOND MEMBER OF COUNCIL 27 MAY 1937 NO 8560

16) nil 28/5/37

27.5.37

17) Dft G.O Subs for appr

1/6/37

18) Issue

8.6.37

To The Registrar of Cooperative Societies

No. D. 8603 & 8/11-6-37.

Approves & recommendation of the Registrar and requests to submit a suitable draft Rule for the consideration of Govt.

Serial No.

126 Letter No. C.73 dated 17-6-37 from the Registrar of Co. forwarding draft rules under 46(c) and (f) of the Co Regulation prohibiting dealings between Societies.

19) The draft rule submitted by the Registrar is found to have not much Consideration in Bihar Gov. The draft rule says that no Society shall take a loan from or make a deposit in any other Society unless it is a member of the other Society. The object is to prevent one primary Society from depositing its funds in or taking loan from another primary Society and make these Societies deposit their amounts only in Apex Bank only. — the Central financing institution —.

20) It is submitted that either in the Regulation or in the rule thereunder there is no provision which prevents one primary Society from becoming a member of another primary Society. and in the absence of such provision it is possible that one primary Society becomes a member of another big primary Society. just to circumvent the rule and keep its fund there and even take loan too. This will naturally frustrate the object of framing the rule. Unless specific provision is made for preventing one primary Society from becoming a member of another primary

NOTE—Contn. Sheet.

WL 6417—GPB—30,000—8-9-36

3641 / 6989 30/p/37

Govt. File No. 11 of 1936 | General and Revenue Secretariat

Serial No.

to society. If approved the Registrar will be consulted on this point. Submitted for orders

[illegible] 1/2/37

4) For favour of scrutiny and remarks.

Under Secy (Law) 2.7.37

1

Law BNR 2.7.37

2) The object of the rule seems to be to prevent the primary societies from giving direct financial aid to one another. But I am afraid the object may not be achieved by the proposed rule; the rule permits taking of a loan or making a deposit in any other society if the former happens to be a member of the latter society. No restriction is to be found either in the Regulation or in the Rules, regarding one primary society becoming a member of another primary society.

3) I may also observe that the 1st part of the rule regarding the loan seems to be covered by Section 29 (1) of the Regulation.

BNR 5.7.37

Under Secy (Law) for Secy

Interlending between primary societies

6989

General and Revenue Secretariat | C.S. File No. 11 of 1936. | [App. F. III—2

Serial No.

29) For perusal. The Registrar C.S will be consulted on the points raised by the Asst Secy Law

Gen Secy 6.7.37

GENERAL SECRETARY. 7 JULY 1937 33

In the rule proposed by the Registrar, the latter portion "unless it is a member of the other Society" might make Societies to make the rule inoperative & void or ineffective by becoming a member of other Society before borrowing.

In Indian circumstances, the rule is made enabling the portion referred to, the rule itself would be superfluous, as Sec 29 (1) clearly prohibits one Society lending to another.

In which case it seems to be no need for any rule. Sec 29 (1) may be strictly enforced.

OFFICE OF THE GENERAL MEMBER OF COUNCIL. 24 JUL 37 No. 1597

Dy Secy 24.8.37

A member)

Dy Secy 24.8.37

It would perhaps be sufficient for the present if a circular was issued by the Registrar on the lines suggested in para 9.

NOTE—Contn. Sheet.

WD 6417—GPB—80,000—8-9-36

Please put up draft to Registrar C.S. Dy Secy 26.8.37 Dy Secy 25/8/37

Interference between two pairs of
6989 Accts

Off file
(24 A)

b/. File No. 11 of 1936 — General and Revenue Secretariat

Serial No.

Off Letter to the Registrar is submitted for approval

3/11/9/37

Secy L.S.G. 2.9.37

3.9.37

Issued 3.9.37

Letter No D 2189 / dated 9-9-37 to the Registrar of Co. Stating that it is desired if a circular on the lines of the Govt of Bombay is issued in the matter

11/9/37

[illegible]

Issued
13/9/37

No. 5639 C.S.

GOVERNMENT OF MYSORE.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Telegraphic Address: "CO-OPERT" BANGALORE

Dated, Bangalore, 9th January 1937.

GEN. SEC. 3647 11 JAN. 1937 BANGALORE.

From

GULAM MOHIYUDDIN MEHKRI, Esq., B.A., L.L.B.,
Registrar of Co-operative Societies in Mysore,

To

C.S. 11-36-41

GENERAL SECRETARIAT 11 JAN. 1937

M. Venkatesa Iyengar, Esq., M.A.,
General Secretary to the Government
of Mysore, Bangalore.

Sir,

Para 72

I have the honour to invite your attention to the recommendation of the Committee on Co-operation in the matter of making the Mysore Provincial Co-operative Apex Bank the sole balancing agency and to state that I agree with the views of the Committee. In order to prevent the primary societies from giving direct financial aid to one another, I have the honour to propose that a Rule may be introduced to the effect that no primary society shall have any direct financial relationship with another primary society and that all its investments outside its own normal transactions shall be made subject to the approval of the Registrar. If this proposal meets with the approval of Government, a draft rule, will be submitted.

I have the honour to be,
Sir,
Your most obedient servant,

M. G. M.
Registrar. 9/1/37

L.S.8/1.

Analysis of the practice prevailing in the several Provinces re: interlending between Co-operative Societies.

==========

I. Provinces which have no Provincial Co-operative Banks.

1. Ajmer-Merwara:- No Apex Bank in the District. The Ajmer Central Co-operative Bank,Ltd., Ajmer exercises the function of a Provincial Bank and is the sole balancing agency and the primary societies including urban Banks have no direct financial relations with each other. Interlending amongst Co-operative Societies is governed by Section 29 of the Co-operative Societies' Act II of 1912.

2. United Provinces:- There is no Provincial Co-operative Bank in the Province. Any legal or other provision to prevent inter-lending between societies is therefore, unnecessary.

3. Rajgarh:- States that there are no Co-operative Banks nor is any rule or order prohibiting interlending between societies.

II. Provinces or States where there is prohibition.

1. Cochin:- Section 29 of the Regulation IV of 1088. " A registered society shall not make a loan to any person other than a member, provided that, with the general or special sanction of the Registrar, a registered society may make loans to another registered society"

2. Bihar:- Interlending not allowed without the previous sanction of the Registrar. Rule has been drafted on the point and is under the consideration of Government.

Draft Rule: "Without the previous sanction of the Registrar no society shall take a loan from or make a deposit in any other society unless it is a member of that other society".

3. Central Provinces & Berar:- Interlending between primary societies and Central Banks is not permissible. Section 29(1) of the Co-operative Societies' Act II of 1912.

"A registered society shall not make a loan to any person other than a member. Provided that with the general or special sanction of the Registrar, a registered society may make loans to another registered society".

4. Hyderabad:- (Deccan). Interlending between societies not allowed.

5. Bengal:- Order No.5755 dated 21st April 1922 issued by the Registrar on the subject. Investment of funds of a co-operative society by way of deposits in another co-operative society ~~by way of deposits in another co-operative society~~ must be regulated by clauses (d) and (e) of Section 32. Under these clauses the sanction of the Registrar is necessary. All applications of Central Banks to deposit their funds in another Central Bank should be referred to the Registrar. The system of inter-Central Bank lending is uneconomical and inconvenient and leads to the inter-locking of liabilities, and that on the Establishment of a Provincial Bank, all direct interlending among Central Banks should be brought to a close.

6. Madras:- Policy has been to prohibit interlending between primary societies, since lending to societies is the main function of Central Banks. Societies concerned were asked to put up a stop to interlending. Section 32(i) of the Madras Co-operative Societies Act VI of 1932, " A registered society shall not make a loan to any person other than a member provided that with the general or special permission of the Registrar, a registered society may make loans to another registered society". As a primary society is not generally a member of another primary society interlending will be irregular, except with the special permission of the Registrar which is however, given only very rarely.

III. Provinces or States where there is no prohibition.

1. Patiala:- No such rule prohibiting interlending between societies.

2. Travancore:- No such rule in the State. Personally the Registrar is of the view that the absence of such a rule has made co-operative finance unsound and unreliable. Has recommended to Government the adoption of a similar rule contemplated by the - Mysore Co-operative Enquiry Committee.

3. Bhopal:- No rule or order prohibiting interlending between societies.

4. Rangoon:-(Burma). Burma Provincial Co-operative Bank,Ltd., Mandalay, which holds the position of an Apex Bank is now in liquidation. No rule or order prohibiting interlending between societies except the restrictions laid down in Section 36(1) of the Burma Co-operative Societies Act 1927 which is practically the same as Section 29(1) of the 1912 All India Co-operative Societies Act.

5. Sangli:- No such rule or order in the State prohibiting interlending between primary societies. Interlending between such societies including the Urban Banks is not allowed.

6. Punjab:- Forwards copy of paras 21, 1, 21,3,21, 4 & 9 1 of consolidated Circulars of the Co-operative Department. Para 9. 1 relates to thrift societies, which can invest their surplus funds in primary credit societies.

7. Assam:- No Government order or rule prohibiting interlending between societies. Section 29 of the Co-operative Societies Act II of 1912.

8. Coorg:- Encloses copy of draft rules, which are governed by Section 29 of the Co-operative Societies' Act II of 1912.

+=========+

L.S.5/5.

Registrar in charge.

G. R. S. App. F VI—G 2]

SUBJECT ..... b Cepi

.....

.....

Diary. No. of letter replied to.....

General and Revenue Secretariat

( )

the 193 .

Date of issue 11/61 193).

Signed by Mr. K. J. Rao

Reproduce the Recommendation

May this be—

here (i) printed ?

(ii) treated as a standing order ?

(iii) published in the Gazette, English Part ?

(iv) translated ?

(v) placed at the disposal of the press ?

(vi) published in the Gazette, Kannada Part ?

The Provincial Bank ... is performing the double function of a Central Bank and Apex Bank. In the one capacity its aim is to raise funds for supplying the needs of primary societies and in addition to balance the finances of societies as a whole by making the surplus resources of some available for others suffering a deficiency. In the other capacity its main business is to coordinate the working and control of the finances of the Cooperative movement on a provincial basis.

In order that the movement may function efficiently and profitably it is necessary that the Bank

Section b.d

File No. 11-36

Serial No. 122

Proceedings of the Government of His Highness the Maharaja of Mysore.

The following

Read— Recommendation of the Committee on Cooperation in Mysore that the Provincial Apex Bank is to co-ordinate the working and control of the finances of the Cooperative movement on a provincial basis and that for the efficient and profitable working of the movement it is necessary

Order thereon.—No. In order that

that the connection to be established between it and the money market should be brought about through the Central financing institution. Central Financing Bank Clause Balancing being performed by the Central Institution and by it Bank to facilitate the balancing

alone
boat. The primary treaties (including
Urban primary banks) should be
prohibited to have any direct
relations with each other as between themselves
intervening as between treaties is considered
to involve any interlocking of liabilities
which might lead to trouble

Letter No 5839 dated 7-12-37 from the
Registrar Co-op. stating that he agrees with
the Committee's recommendation that
a rule may be introduced to the effect
that no primary society shall have any
financial relations with other primary
societies and that all its
investments outside its own district
transactions shall be made
with the approval of the Registrar

List of Enclosure

date D 8603 dt 11/6/37 - The recommendation of the
Registrar. The Registrar is requested
to submit proposals for framing the necessary
rule. ✓

Copied by

Examined by

Draft rule for the
Consideration of
Govt

To the Registrar Co-op 3.6.37

Proceedings of the Government of His Highness the Maharaja of Mysore.

Read:-

The following recommendation of the Committee on Co-operation in Mysore ~~reproduce the recommendation here:-~~

"The Provincial Bank is performing the double function of a Central Bank and an Apex Bank. In the one capacity its aim is to raise funds for supplying the needs of primary societies and in addition to balance the funds of Societies as a whole by making the surplus resources of some available for others suffering a deficiency In the other capacity its main business is to co-ordinate the working and control of the finances of the co-operative movement on a provincial basis.

In order that the movement may function efficiently and profitably it is necessary that the connection to be established between it and the money market should be brought about through the Central Financing institution. Balancing being performed by the Central institution and by it alone the primary societies (including Urban Primary Banks) should be forbidden to have any direct relations with each other. Uncontrolled interlending as between Societies is considered to involve any interlocking of liabilities which may well lead to trouble".

Letter No.5633 dated 7th January 1937 from the Registrar of Co-operative Societies, stating that he agrees with the Committee and recommending that a rule may be introduced to the effect that no primary Society shall have any financial relationship with another primary society and that all its investments outside its own normal transactions shall be made with the approval of the Registrar.

ORDER NO. P. 8603 / C.S. 11-36-122

Dated, Bangalore, the 9th June 1937.

The recommendation of the Registrar is approved. He is requested to submit a suitable draft rule for the consideration of Government.

K Venkatappa

for General Secretary to Government.

The Registrar of Co-operative Societies in Mysore.

K.L.R. 63.

No. C 13 C.S.

Telegraphic Address: "CO-OPERT" BANGALORE.

6959

GOVERNMENT OF MYSORE

22 JUNE 1937

DEPARTMENT OF CO-OPERATION

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

C.S. 11-36-126

Dated, Bangalore, Camp Mysore, 17th June 1937.

From

M. Abdul Hukh, Esq., B.A.,
[illegible]
Registrar of Co-operative Societies in Mysore,
Bangalore.

To

The Secretary to Government,
General Department, Bangalore.

Sir,

With reference to G.O.No.D.8603/C.S.11-36-122 dated 8/11th June 1937, I have the honour to submit herewith a draft rule under Section 44 (e) &(p) of the Mysore Co-operative Societies Regulation prohibiting interlending between primary societies, and to state that the draft rule follows the draft rule which is stated to be under the consideration of the Government of Bihar.

GENERAL SECRETARY. 23 17 JUNE 1937 C.S.

I have the honor to be,
Sir,
Your most obedient servant,

Registrar.

NOTE—Contn. Sheet.

WD 0544—GPB—30,000—2-9-83

Serial No.

Draft Rule under Section 44 (e) & (p) of the Mysore Co-operative Societies' Regulation VII of 1918, as amended from time to time.

Add rule as 24 A of the Rules under the Mysore Co-operative Societies Regulation.

"Without the previous sanction of the Registrar, no society shall take a loan from or make a deposit in any other society [unless it is a member of the other society"]

Camp Mysore)
17th June 1937.)

Registrar.

NOTE—Contn. Sheet.

WD 0544—GPB—30,000—2-9-38

Appendix F G –1]

10

SUBJECT.....

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.....

Section b.s.

File No. 11-36

Serial No. 160

No. D 2189.

Diary No. of letter replied to.....

To

The Registrar C.S.

General and Revenue Secretariat.

( )

the *193* .

Sir

Date of issue 9-9-37

I have reference to the correspondence ending with your letter No C 73 dated 17-6-37 (~~forwarding draft rules to amend~~ recommending that a Rule be framed prohibiting a dual membership between primary societies)

Signed by Mr K. Subba Rao

I am directed to state that for the present it would be sufficient if a circular is issued on the lines of the one issued by the Registrar of Co-operative Societies, Bengal) ~~regarding the interpretation of section 29(1) and section 32(c to e) is issued by you to all societies to obviate the objection of dual membership between~~

List of enclosures

Memo referred to in para 2 of your

Copied by

memorandum note no

8751 dt 8-5-37

Examined by

~~Primary Health~~

~~Dear Secretary~~

~~You~~ The draft of the circular may be kindly sent to Govt ~~to be issued by you for~~ for approval before issue of ~~for~~

I have the

Govt
3931
Leg & J. G

Ly
2-9-87

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

No. D 2189/ S.F.I.-36-160. *Dated, Bangalore,* 4th September 193 7

96

From

The *Secretary to the Government of His Highness the Maharaja of Mysore,*

Local-Self Government Department

To

The Registrar of Cooperative Societies in Mysore,

Bangalore.

Sir,

With reference to the correspondence ending with your letter No.C.73 dated 17th June 1937 recommending that a Rule be framed prohibiting interlending among primary Societies, I am directed to state that Government consider that it would be sufficient for the present if a Circular is issued on the lines of the one issued by Registrar of Cooperative Societies, ~~Bangalore~~ Berar and referrd to in para 2 of your un-official note No.875 dated 8th May 1937.

I have the honour to be,

Sir,

Your most obedient servant,

Secretary to Government,
L.S.G.Department.

MK.2.